



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-3873  
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE  
AUDITOR-CONTROLLER

MARIA M. OMS  
CHIEF DEPUTY

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS  
JOHN NAIMO  
JUDI E. THOMAS

September 16, 2010

TO: Supervisor Gloria Molina, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Don Knabe  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe  
Auditor-Controller

SUBJECT: **PROJECT NEW HOPE CONTRACTS REVIEW - A DEPARTMENT OF  
PUBLIC HEALTH HIV/AIDS CARE SERVICES PROVIDER**

We completed a fiscal review of Project New Hope (PNH or Agency), a Department of Public Health (DPH) HIV/AIDS care services provider. The purpose of our review was to determine whether PNH provided the services to eligible participants and spent funds in accordance with the County contract. We also evaluated the adequacy of PNH's accounting records, internal controls and compliance with the contract and applicable guidelines. PNH provides services in the Second, Third, Fourth and Fifth Districts.

At the time of review, PNH had two fixed-fee contracts with Office of AIDS Programs and Policy (OAPP). The County paid PNH \$1,679,135 in OAPP funds from March 2008 to February 2009.

**Results of Review**

PNH appropriately recorded and deposited cash receipts timely in the Agency's bank account and maintained updated personnel files for their staff. PNH also maintained documentation to support services provided to participants. However, the Agency did not comply with all the County contract requirements. Specifically, PNH:

- Did not obtain appropriate documentation for three (30%) of ten participants sampled to support their eligibility for program services.

PNH's attached response indicates that intake forms have been revised to include an Affidavit of Los Angeles County Residency in verifying residency status.

- Did not document the methodology used to allocate shared program costs charged to OAPP.

PNH's attached response indicates that they will maintain appropriate documentation and records to support expenditures.

The details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with PNH and OAPP. In their attached response PNH agreed to implement the recommendations in our report. We will follow-up with PNH in six months on the implementation status of our recommendations. We also notified OAPP on the results of our review.

We thank PNH for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC

Attachment

c: William T Fujioka, Chief Executive Officer  
Jonathan E. Fielding, Director, Department of Public Health  
David Nahas, President, Project New Hope's Board of Directors  
Brigette Tweddell, Executive Director, Project New Hope  
Public Information Office  
Audit Committee

**PROJECT NEW HOPE  
HIV/AIDS CARE SERVICES  
FISCAL YEAR 2008-09**

**BACKGROUND/PURPOSE**

The Department of Public Health's (DPH) Office of AIDS Programs and Policy (OAPP) contracts with Project New Hope (PNH or Agency) to provide residential and transitional housing services to adults who are afflicted with HIV/AIDS and are physically and mentally disabled and provide residential care for the chronically ill.

The purpose of our review was to ensure that PNH appropriately spent funds in accordance with the County contract. We also evaluated the adequacy of PNH's accounting records, internal controls and compliance with the contract and applicable federal and State fiscal guidelines governing the Ryan White Comprehensive AIDS Resource Emergency Act. In addition, we determined whether the Agency provided services to eligible participants.

**ELIGIBILITY/SERVICES BILLED**

**Objective**

Determine whether PNH provided services to individuals that meet OAPP eligibility requirements. In addition, determine the accuracy of the units of service billed.

**Verification**

We reviewed the case files for ten program participants that received services from December 2008 and January 2009 for documentation to confirm their eligibility to receive OAPP program services. We also sampled 250 days the Agency billed OAPP to supporting documentation.

**Results**

PNH maintained daily attendance records to support the 250 days billed for 10 program participants sampled. However, the case files for three (30%) of the ten program participants did not contain documentation to support their eligibility for program services. Specifically, the three case files did not contain residency verification.

**Recommendation**

1. **PNH management ensure Agency staff obtains the appropriate documentation from participants to determine their eligibility for program services.**

**CASH/REVENUE****Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's financial records and deposited timely into their bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets. In addition, determine whether fees collected from clients are accounted for and reported to OAPP.

**Verification**

We interviewed Agency personnel and reviewed financial records and reimbursement claims sent to OAPP for December 2008 and January 2009. We also reviewed the Agency's April 2009 bank reconciliation.

**Results**

PNH appropriately recorded and deposited cash receipts timely into the Agency's bank account and completed monthly reconciliations. However, approximately \$8,200 in client fees received were not reported to OAPP. The County contract requires that fees paid by clients be reported to OAPP for informational purposes only.

**Recommendation**

2. PNH management ensure fees paid by clients are reported to OAPP.

**COST ALLOCATION PLAN****Objective**

Determine whether the Agency's Cost Allocation Plan (Plan) was prepared in accordance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

**Verification**

We reviewed the Agency's Plan and reviewed a sample of shared expenditures incurred by PNH from June 2008 to February 2009 to ensure that the expenditures were properly allocated to the Agency's various programs.

**Results**

PNH's Plan complied with the County contract requirements. However, the Agency did not always maintain appropriate documentation to support the basis for the allocation of rent, audit and accounting fees.

**Recommendation**

3. PNH management maintain documentation to support expenditure allocations.

**EXPENDITURES****Objective**

Determine whether program expenditures are allowable under the County contract, properly documented and accurately charged to the OAPP program.

**Verification**

We interviewed Agency personnel, reviewed accounting records and reviewed documentation for 34 program expenditure transactions totaling \$57,195 incurred from June 2008 to February 2009.

**Results**

PNH's expenditures were allowable and supported by vendor receipts and invoices. However, as previously mentioned, the Agency did not always maintain supporting documentation for allocated shared program expenditures.

**Recommendation**

Refer to Recommendation 3.

**FIXED ASSETS AND EQUIPMENT****Objective**

Determine whether the Agency's fixed assets and equipment purchases made with OAPP funds are used for the OAPP program and are safeguarded.

We did not perform test work in this area as the Agency did not use OAPP funds to purchase fixed assets.

**Recommendation**

None.

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll expenditures were appropriately charged to OAPP. In addition, determine whether personnel files are maintained as required.

**Verification**

We traced payroll expenditures for nine employees totaling \$39,335 to payroll records and benefit remittance invoices for February 2009. We also reviewed the employees' personnel files.

**Results**

PNH appropriately charged payroll expenditures to the OAPP program and maintained personnel files as required by the County contract.

**Recommendation**

None.

**COST REPORTS****Objective**

Determine whether the Agency's Cost Reports reconcile to the Agency's financial accounting records.

**Verification**

We traced the Agency's general ledger to the Agency's Cost Reports submitted to OAPP for the two contracts reviewed.

**Results**

PNH's Cost Reports reconciled to their accounting records.

**Recommendation**

None.

## Project New Hope

June 15, 2010

Ms. Wendy Watanabe  
Auditor-Controller  
County of Los Angeles  
Department of Auditor-Controller  
500 West Temple Street, Room 525  
Los Angeles, CA 90012-2706

Subject: Response to Draft Audit Report-HIV/AIDS Program Contact

Enclosed for your review is the response to the audit of the HIV/AIDS Program funds, conducted by the Department of Public Health, Office of AIDS Programs and Policy. We hope you find our responses satisfactory and want to thank you for your support during the audit process.

Please feel free to call me at 213-250-9481 extension 11 or e-mail at [btweddell@projectnewhope.org](mailto:btweddell@projectnewhope.org) should you have any questions and/or concerns regarding this letter.

Sincerely,



Brigitte Tweddell  
Executive Director  
Project New Hope

Cc: Leigh Zweig, LCSW, C.O.O.



**ELIGIBILITY/SERVICES BILLED:**

**Result:**

PNH maintained daily attendance records to support the 250 days billed for 10 program participants sampled. However, the case files for three of ten program participants did not contain documentation to support their eligibility for program service. Specifically, the three files did not contain residency verification.

**Response:**

PNH has revised the intake forms to include an Affidavit of Residency for Los Angeles County, should we accept a homeless client without government identification or other means of verifying county residency status.

**CASH/REVENUE**

**Result:**

PNH appropriately recorded and deposited cash receipts timely into the Agency's bank account and appropriately completed monthly reconciliations. However, approximately \$ 8,200 in client fees received were not reported to OAPP. The County contract requires that fees paid by clients be recorded for informational purposes only to OAPP.

**Response:**

PNH practice is to posts all client fees on our accounting system and will include them in the Annual Cost report as requested.

**COST ALLOCATION PLAN**

**Result:**

PNH's plan complied with the County contract requirements. However, the Agency did not always maintain appropriate documentation to support the basis for the allocation of rent, audit and management fees.

**Response:**

PNH is committed to satisfy the county requirements for appropriate documentation that support expenditures and maintains appropriate records for your review.



**EXPENDITURES:**

**Result:**

PNH's expenditures were allowable and supported by vendor receipts and invoices. However, as previously mentioned, the Agency did not always maintain supporting documentation for allocated shared program expenditures.

**Response:**

PNH is committed to satisfy the county requirements for appropriate documentation that support expenditures and maintains appropriate records for your review.